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COLLECTION

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C O M M I T T E E  
O N  
T A X A T I O N

L E G I S L A T I V E  
S U M M A R Y

Representative John H. Flood, House Chairman

Senator John W. Olver, Senate Chairman







# *The Commonwealth of Massachusetts*

HOUSE OF REPRESENTATIVES  
COMMITTEE ON TAXATION  
OFFICE OF THE CHAIRMAN  
STATE HOUSE, BOSTON 02133

JOHN H. FLOOD  
REPRESENTATIVE  
6TH NORFOLK DISTRICT

ROOM 236  
TEL. 722-2430

February, 1986

Dear Colleague:

As you know, 1985 was an exciting and extremely productive year for the House of Representatives under the leadership of Speaker George Keverian. Highlights of this past year include: the largest tax cut in the history of the Commonwealth; a long overdue reform in the estate tax law; and the passage of legislation which expands the real estate tax exemption for war veteran organizations. I am happy to report that in my first year as House Chairman of the Taxation Committee, 1985 was a very fruitful year for the Committee, and the taxpayers of Massachusetts as well.

I do not think it too simplistic to suggest that there are only two directions in which taxes can go: up or down. With a record budget surplus and a healthy economy, it gives me great pleasure to say that we chose the latter. Attached is a legislative summary of bills that the Committee was successful in having signed into law.

With the start of the 1986 legislative session, several new priorities have arisen for the committee that I would like to call to your attention as they are issues which can greatly impact on the quality of life.

- 1) H-2333 indexes the personal income tax exemption to adjust for inflation. With the support of 34 members of the legislature, this bill will most benefit those with lower income levels.
- 2) H-2336 calls for a \$3,000 retirement income exemption for military retirees, and has the backing of 36 co-sponsors.
- 3) H-2338 allows for a \$3,000 income tax exemption for persons caring for an elderly family member in their home. Fifty-four members of the legislature have joined me in sponsoring this bill.

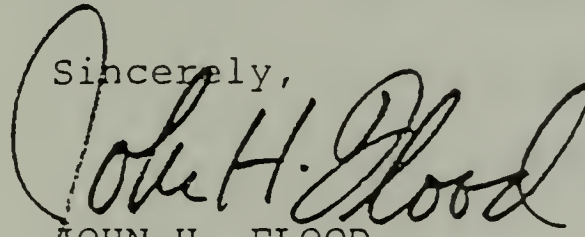
Two major issues will be coming to the forefront during this session. One concerns local option taxes. Due to the complexity of our taxation system, a Pandora's box could be opened if each city and town



is allowed to tax solely according to its own demographics. We must work to maintain a level of taxes that benefits the vast majority of citizens in the Commonwealth and which does not create administrative chaos. Thoughtful study and serious deliberation should be given to this issue before we enter into a tax morass. The second issue deals with tax revenue limits. We will have to consider an initiative petition prior to May seventh, as well as several other alternative proposals advocating tax limits, and the creation of special purpose stabilization funds. We will all need to reflect on these important issues well before they reach the floor of the House for debate.

This past year proved to be very positive and beneficial for the Taxation Committee and the taxpayers of Massachusetts. It is my fervent hope that 1986 will be the same.

Sincerely,

A handwritten signature in dark ink, appearing to read "John H. Flood". The signature is written in a cursive, flowing style. A large, loopy initial "J" starts the signature, and the name "H. Flood" follows in a similar cursive script. The signature is positioned above the printed name and title.

JOHN H. FLOOD

Chairman

Committee on Taxation





Members of the Joint Committee on Taxation

1985

Representatives

John H. Flood, Chairman

Frank N. Costa

William J. Glodis, Jr.

Thomas M. Gallagher

Theodore J. Aleixo, Jr.

Stephen W. Doran

Frank A. Emilio

Eleanor Myerson

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John R. Driscoll

Mary Jeanette Murray

Senators

John W. Olver, Chairman

Royal L. Bolling

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Paul J. Sheehy

Paul V. Doane

Mary L. Padula

Research Staff

Fran Brown

Maureen Rooney



1,000

(936) . JUDICIARY

900

(828) . PUBLIC SERVICE

800

700

600

500

(504) . NATURAL RESOURCES &  
AGRICULTURE

(484) . PUBLIC SAFETY

(475) . GOVERNMENT REGULATIONS

(471) . COMMERCE & LABOR

(438) . STATE ADMINISTRATION

(437) . HUMAN SERVICES & ELDER AFFAIRS

(408) . EDUCATION

400

(392) . HEALTH CARE

300

(295) . LOCAL AFFAIRS

(288) . INSURANCE

(282) . HOUSING & URBAN DEVELOPMENT

(270) . ELECTION LAWS

(268) . CRIMINAL JUSTICE

(264) . TRANSPORTATION

200

(181) . BANKS & BANKING

(162) . COUNTIES

Number of Petitions  
referred to Legislative  
Committees in 1985.

100



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Chapter 25 (H. 4196)	Assessment of formerly tax exempt property
Chapter 35 (H. 5831)	MVE minimums
Chapter 52 (H. 3041)	Estimated Tax Bills
Chapter 69 (S. 2066)	Assessment deferred in Hubbardston
Chapter 84 (H. 5914)	Resource Recovery Facility in Saugus
Chapter 86 (H. 5912)	Fascimile signatures on warrants
Chapter 89 (S. 1372)	Sale of Land of Low Value
Chapter 145 (H. 6391)	Fiscal Relief in Cities and Towns
Chapter 188	Donations of Computer Equipment
Chapter 202 (S. 2148)	Severability clause - Nantucket Land Bank
Chapter 267 (H. 6234)	Barnstable Scholarship Fund





Chapter 281 (H. 309)	Refund of overpayment of taxes after audit
Chapter 300 (H. 300)	Filing of applications for property tax exemptions
Chapter 365 (H. 498)	Waiving of certain charges by tax collectors
Chapter 382 (S. 2362)	Application for Residential Exemption
Chapter 387 (H. 301)	Contiguous Agricultural Land
Chapter 453 (H. 311)	Two year limit on certain tax refunds
Chapter 469 (H. 6806)	Tax exemption for mental health clinics
Chapter 526 (H. 6791)	Collection of Vessel excise
Chapter 532 (H. 5966)	Utility Appeals before Appellate Tax Board
Chapter 534 (S. 2924)	Interest on delinquent MVE payments
Chapter 565 (S. 2599)	Estimated Tax bills in Lawrence
Chapter 583 (H. 1305)	Interest Earned in Federal Savings Banks
Chapter 593 (H. 6510)	Surtax Repeal and Vanishing Exemption
Chapter 640 (H. 6715)	Granting and denying local licenses and permits based on "tax status"
Chapter 656 (H. 1462)	Abatement for Veterans in Newton



Chapter 708  
(S. 2336)

Solar Tax Credit

Chapter 711  
(S. 2652)

Estate Tax Revisions

Chapter 727  
(H. 6520)

Property Tax Exemption For  
VFW Halls

Chapter 736  
(S. 2488)

Duke's County Land Bank





Chapter 8.      AN ACT AUTHORIZING AND REGULATING THE CONTINUATION  
OF THE OVERLAY DEFICIT IN THE CITY OF LYNN.

Home rule petition from the city of Lynn which authorizes the city to carry forward its overlay deficit over a period of ten years, receive a \$3.5 million interest free loan from the state, and to amend its charter in order to establish a new position of Chief Financial Officer to oversee municipal/school spending and implement fiscal reforms.

Approved March 26, 1985

Chapter 25.    AN ACT RELATIVE TO THE REAL ESTATE TAX ON LAND FORMERLY  
OWNED BY THE UNITED STATES GOVERNMENT, THE COMMONWEALTH,  
OR A COUNTY, CITY OR TOWN, OR ANY INSTRUMENTALITY THEREOF.

Tax exempt property formerly owned by a government entity or a tax exempt organization and sold to a person or organization that would be subject to real estate taxes can now be assessed on a date other than January first and a pro forma tax assessed on the real estate in lieu of taxes that would have been due had the property been so owned on January first.

Approved, April 10, 1985

Effective, June 20, 1985

Chapter 35.    AN ACT FURTHER REGULATING MOTOR VEHICLE EXCISE ABATE-  
MENTS.

This act clarifies that the minimum motor vehicle excise tax will be five dollars and that no abatement or refund shall reduce the tax below five dollars and no abatement or refund shall be paid in an amount less than five dollars.

Approved, April 18, 1985

Chapter 52.    AN ACT AUTHORIZING ESTIMATED TAX PAYMENTS IN CERTAIN  
CITIES AND TOWNS.

This chapter authorizes cities or towns undertaking a general revaluation scheduled for completion prior to February 1986, to send out estimated tax bills for the first



half of fiscal year 1986. The estimated tax bills must be no greater than 50% of the previous year's bill. The tax bills have the full force of law. Any exemptions or adjustments applicable from the date that the estimated tax bill is issued, shall be applied once the tax rate is certified.

Approved, May 21, 1985

Chapter 69. AN ACT AUTHORIZING THE TOWN OF HUBBARDSTON TO DEFER UNTIL FISCAL YEAR NINETEEN HUNDRED AND EIGHTY-EIGHT ITS ASSESSMENT OF TAXES FOR THE AMOUNT NECESSARY TO SATISFY ABATEMENTS GRANTED BY IT FOR FISCAL YEAR NINETEEN HUNDRED AND EIGHTY-THREE.

This chapter allowed Hubbardston to defer the assessment of taxes necessary to satisfy abatements granted for FY '83. The amount is approximately \$40,000 and would be assessed in increments of one-third of the total over a three year period.

Approved, May 30, 1985

Chapter 84. AN ACT RELATIVE TO THE TAXATION OF A CERTAIN RESOURCE RECOVERY FACILITY IN THE TOWN OF SAUGUS.

This chapter allows the town of Saugus to assess the Refuse Energy Systems Company based on an agreement negotiated by the town and the company. The company had a case pending before the ATB. This was a home rule petition.

Approved, June 7, 1985

Chapter 86. AN ACT AUTHORIZING THE USE OF FACSIMILE SIGNATURES ON WARRANTS ISSUED BY TAX COLLECTORS IN CITIES AND TOWNS.

This chapter allows local tax collectors to use facsimile signatures on warrants. Prior to this each warrant had to be signed individually by hand.

Approved, June 7, 1985



Chapter 89. AN ACT RELATIVE TO THE SALE OF LAND BY A CITY OR TOWN  
THE VALUE OF WHICH IS FIVE THOUSAND DOLLARS, OR LESS.

Municipalities may sell parcels of real estate which have a value of less than \$5,000 when such parcels are taken for non-payment of taxes.

Approved, June 11, 1985

Chapter 145. AN ACT TO PROVIDE FISCAL RELIEF TO CITIES AND TOWNS.

Cities and towns are authorized through local option to impose a tax of up to 4% on rooms rented for occupancy in hotels, motels or lodging houses in their communities. Additionally, a municipality can impose an aircraft (jet) fuel tax at the rate of 5% of the average price of fuel used in fueling jet aircraft in the municipality.

Approved, July 11, 1985

Chapter 156. AN ACT PROVIDING FOR UNFUNDED PENSIONS IN CERTAIN CITIES  
AND TOWNS

This chapter broadens the purpose of a reserve fund which is used for extraordinary or unforeseen expenses to include "the Pension Reserve Fund".

Approved July 17, 1985

- Originated in the Committee on Public Service





Chapter 166      AN ACT AUTHORIZING AN ADDITIONAL TIME PERIOD FOR  
THE CITY OF EVERETT TO ACT ON TAX ABATEMENTS FOR  
FISCAL YEAR NINETEEN HUNDRED AND EIGHTY-FIVE.

In fiscal year 1985, the city of Everett implemented 100% valuation for the first time. Due to the special circumstances, the city needed more time to process abatement applications.

Approved July 18, 1985

Chapter 188      AN ACT IMPROVING THE PUBLIC SCHOOLS OF THE  
COMMONWEALTH

In Section 10 of this chapter, Corporations will be allowed to receive a corporate tax deduction of up to 50% of the cost of computers and other instructional equipment donated to elementary and secondary schools in Massachusetts. Previously, such donations were deductible, when the gift was made to secondary schools in Massachusetts. The deduction is effective on January 1, 1986.

Approved July 23, 1985

- This chapter originated in the Committee on Education.

Chapter 202      AN ACT RELATIVE TO THE NANTUCKET ISLANDS LAND BANK

A severability clause is added to the Nantucket Islands Land Bank act of 1983.

Approved July 29, 1985

Chapter 267      AN ACT AUTHORIZING THE TOWN OF BARNSTABLE TO ESTABLISH  
THE TOWN OF BARNSTABLE SCHOLARSHIP FUND.

This chapter allows the town of Barnstable to include on the property tax bill or the motor vehicle excise bill, a "check off" provision. The taxpayer may check off a pledged amount of no less than one dollar and the revenue accrued would be used for a scholarship fund for local students.



Chapter 281     AN ACT AUTHORIZING A REFUND OF OVERPAYMENT  
DETERMINED AFTER CERTAIN TAXPAYER AUDITS.

This chapter provides that an audited taxpayer who has overpaid his tax shall be refunded the overpayment with interest. Prior to this act, there was no provision for a refund, only the lowering of any other outstanding taxes due.

Approved September 18, 1985

Chapter 300     AN ACT INCREASING THE TIME ALLOWED FOR FILING  
APPLICATIONS FOR CERTAIN LOCAL TAX EXEMPTIONS  
AND RELATED MATTERS.

Current law requires local assessors to file a valuation book with the Department of Revenue every five years. Due to increased powers of the Commissioner and required continuing updates from the local assessors, the valuation book is no longer necessary and the filing requirement is repealed.

Also, this chapter makes a corrective change in the statutory provision for the filing of applications for local property tax exemptions to include three recently enacted local option clause abatements.

Approved September 19, 1985

Chapter 365     AN ACT PROVIDING FOR THE WAIVING OF CERTAIN  
CHARGES BY LOCAL TAX COLLECTORS

A tax collector may, in his or her discretion, waive interest, charges and fees when the total amount of such costs does not exceed five dollars.

Approved October 8, 1985





Chapter 382    AN ACT PROVIDING FOR AN APPEAL FROM DENIAL  
OF A RESIDENTIAL EXEMPTION.

The Classification Amendment authorizes a city and town to grant taxpayers a residential exemption based upon 10% of the average residential value in the city or town. Occasionally, a homeowner is inadvertently dropped from the list of residential property owners. The homeowner, aggrieved by the failure to receive the exemption, had no recourse. This chapter provides the taxpayer with the opportunity to apply for the residential exemption to the assessors, in writing, within three months after the date of the bill or notice of assessment.

Approved, October 15, 1985

Chapter 387    AN ACT RELATIVE TO THE TAXATION OF AGRICUL-  
TURAL AND HORTICULTURAL LAND.

This chapter clarified land which is "deemed contiguous" for agricultural and horticultural uses. Additionally, recording fees will be borne by the owner of record of the land.

Approved, October 15, 1985



Chapter 453      AN ACT RELATIVE TO APPLICATIONS FOR CERTAIN  
TAX REFUNDS

A time limit of two years is established for applying and receiving a refund of a tax overpayment previously made where no tax return is required to be filed. This limitation would conform to a similar provision under the federal internal revenue code.

Approved October 24, 1985

Chapter 469      AN ACT FURTHER REGULATING THE TAXATION OF  
CERTAIN CHARITABLE CORPORATIONS.

This chapter clarifies that non-residential mental health facilities qualify for property tax exemptions. Abatements for taxes previously assessed or paid may be granted subject to local approval.

Approved, November 7, 1985

Chapter 526      AN ACT RELATIVE TO THE ASSESSMENT AND COLLECTION  
OF THE EXCISE UPON CERTAIN VESSELS

This chapter clarifies that in situations in which more than one municipality owns property in a harbor, the municipality which maintains the harbor will assess and collect the vessel excise.

Approved November 7, 1985



Chapter 532

AN ACT PROVIDING FOR THE UNIFORM DETERMINATION  
OF APPEALS OF UTILITY COMPANIES IN CASES BEFORE  
THE APPELLATE TAX BOARD CONCERNING THE CORRECT  
CLASSIFICATION OF CERTAIN TAXABLE PROPERTY.

In order to simplify and clarify all issues, this chapter has been culled eliminating the issue of valuation methodology and focusing solely on the procedural issue of utility company appeals before the Appellate Tax Board.

This measure addresses the procedure to be applied in property tax appeals of utility companies after revaluation. A major issue of these appeals is not simply whether the utility companies are paying a fair and equitable tax bill, but how their tax bill is classified, i.e., what portion of the whole is real estate and what portion is personal property.

In communities with electric generating facilities the classification issue is one of crucial significance. The determination and separation of the realty and personalty portions of these complex generating plants have been subject to inconsistent local interpretation.

As a result, individual municipalities have utilized various apportionment mechanisms, and classified the realty and personalty portions of these facilities in different ways.

While the total tax bill (both real and personal) of a utility company may be fair and equitable, the companies are now challenging the apportionment (the classification) between the real and personal property, as well as valuation.





This Act will take away no ones rights. It will simply allow the Appellate Tax Board to correct errors made by an assessor concerning the original classification of property as real or personal, which is a complex and difficult determination. At present, the law allows the utility companies to claim that an assessor's mistake effectively exempts its property from taxation. Both municipalities and utility companies are placed on equal procedural footing, and allows the Appellate Tax Board to decide appeals on their merits after correcting an assessor's classification error.

Chapter 532 does not determine the level of taxes to be imposed on utility companies, and does not change the existing law of valuation. The communities with major electric generating facilities are as follows:

Everett	Salem
Boston	Somerset
Rowe	Plymouth
Sandwich	New Bedford

Approved, November 26, 1985



Chapter 534      AN ACT RELATIVE TO THE COLLECTION OF EXCISE  
TAXES ON REGISTERED MOTOR VEHICLES

Taxpayers who are delinquent paying their motor vehicle excise taxes will be assessed an interest rate of 12% per annum from the date the tax was due.

Approved November 18, 1985

Chapter 565      AN ACT AUTHORIZING ESTIMATED TAX PAYMENTS FOR THE  
CITY OF LAWRENCE FOR THE FIRST HALF OF FISCAL YEAR  
NINETEEN HUNDRED AND EIGHTY-SIX

This chapter authorizes the city of Lawrence to send out estimated tax bills for fiscal year 1986 not to exceed fifty per cent of the tax payable during the preceeding fiscal year. Any remedies or exemptions applicable from the date that the tax bill is issued shall be resolved, once the tax rate is certified. This special act for Lawrence is necessary because Lawrence is not undertaking a general revaluation, and hence, does not qualify to take advantage of the provisions of Chapter 52 of the Acts of 1985.

Approved December 6, 1985

Chapter 583      AN ACT RELATIVE TO THE TAXATION OF CERTAIN INTEREST  
IN FEDERAL SAVINGS BANKS

A federal savings bank is now included in list of banking institutions located in the Commonwealth, and will be treated like other Massachusetts banks for tax purposes.

Approved December 16, 1985

- Originated in Committee on Banks and Banking



Chapter 593      AN ACT TO PROVIDE TAX RELIEF

Repeal of entire 7 1/2 percent surtax over two years. One half repealed in taxable year 1986 and the balance in taxable year 1987. The no-tax status level is increased to \$6,000 for single filers; and \$10,000 for joint returns. These increased no-tax levels are effective beginning in 1986. A new personal exemption schedule is established beginning at \$3,800 for single filers and diminishing to \$600 for taxpayers with incomes of \$40,000 or more. On joint returns, spouses will have a combined exemption beginning at \$8,000 and diminishing to \$1,200 for couples whose income is \$80,000 or more. The present \$2,200 exemption for working taxpayers and the \$1,000 exemption for the non-working spouse are both repealed. These new exemption levels become effective in the tax year beginning on January 1, 1987.

Smokeless tobacco products will now be included under the cigarette excise tax, snuff was previously subject to the 5 per cent sales tax, it will now be taxed at 25 per cent of the price.

Also included in Chapter 593 are 17 technical tax code changes and administrative improvements recommended by the Department of Revenue.

The Special Commission on Tax Reform is charged with the task of studying the unitary accounting method of taxing corporations doing business in Massachusetts.

Approved, December 18, 1985







Chapter 640      AN ACT RELATIVE TO THE GRANTING OR RENEWING  
OF CERTAIN LICENSES AND PERMITS IN CITIES  
AND TOWNS

By local option, cities and towns can now levy, revoke or suspend certain licenses or permits based on the non-payment of municipal taxes, fees and charges, etc.

Approved December 23, 1985

- Originated in Committee on Local Affairs

Chapter 656      AN ACT AUTHORIZING REAL ESTATE TAX EXEMPTIONS  
TO CERTAIN VETERANS WHO RESIDE IN THE CITY  
OF NEWTON.

The city of Newton is allowed to broaden its definition of a "paraplegic veteran" to include individuals who are not certified as such by the Veteran's Administration. These individuals will be granted a property tax exemption in Newton although there will be not state reimbursement.

Approved December 24, 1985

Chapter 708      AN ACT EXTENDING THE TIME AVAILABLE FOR RESI-  
DENTIAL TAX CREDIT FOR RENEABLE ENERGY SYSTEMS

The solar tax credit, against personal income taxes dues, has been extended for two more years. The credit would have expired on December 31, 1985. The credit allows for \$1,000 in taxes due or 35% of the cost incurred, whichever is less. This chapter repeals the sales tax exemption for wood fueled heating systems.

Approved December 31, 1985



Chapter 711

This chapter raises the threshold exemption from estate taxes from \$60,000 to \$200,000 and repeals the \$30,000 exemption and replaces it with a \$1,500 credit against taxes. The chapter clarifies the Massachusetts Gross Estate includes property transferred within 3 years of death (subject to an exclusion of gifts of \$10,000 or less to a recipient per year). The new exemption levels apply to the estate of persons whose date of death is on or after January 1, 1986.

Approved, December 31, 1985

Chapter 727

AN ACT FURTHER REGULATING REAL ESTATE TAX  
EXEMPTIONS OF ORGANIZATIONS OF VETERANS OF  
WAR.

Cities and towns by local option may increase the property tax exemption provided Veterans of War organizations to the extent of \$400,000. The present exemption is valued at \$200,000 and shall not be applicable in municipalities which accept the new provisions.

Approved December 31, 1985

Chapter 736

AN ACT ESTABLISHING THE COUNTY OF DUKES  
COUNTY LAND BANK

The Martha's Vineyard Land Bank Act creates a seven member Land Bank Commission consisting of one elected resident for each of the six towns of Martha's Vineyard plus the Secretary of Environmental Affairs. A two percent tax is imposed on real estate transfers on Martha's Vineyard to be paid by the purchaser. The proceeds from this tax shall be used by the Land Bank Commission to acquire fee simple or lesser interests in real estate for open space preservation



and public use. There are thirteen categories of exemptions from the tax, including relief for first time property owners and real estate transfers among members of a family or trust. Fifty percent of the revenues generated in each town shall be deposited in an individual town Land Bank account, to be spent under the direction of that town's Land Bank Advisory Board. The affirmative vote of all six towns of Martha's Vineyard is required for this act to become effective.

Approved, January 3, 1986







